

GREAT ROCK ISLAND BUBBLE BURSTS AND THOUSANDS OF VICTIMS MOURN LOST CASH

Stock That Sold for \$81 Four
Years Ago To-Day Goes
Begging at \$5.

THREE-FOURTHS WATER.

How Rich Road Was Used by
Manipulators to Rob Pub-
lic of Millions.

The great bubble of Rock Island Railroad securities collapsed to-day so that nothing but a few scattering drops remain of the enormous amounts of water that were pumped into its capitalization.

The shares of its stock that were dealt in on Stock Exchange had little more real value than specimens of fine engraving and printing. For \$81 you could buy a share of preferred that not long ago had a selling value of ten times as much. For \$5 you could buy a share of common stock that on a blizzard day like this four years ago sold on Stock Exchange for \$81.

Buying Rock Island to-day was the

poorest gamble in the security market. The certificates represent practically nothing but the right to be assessed at least \$20 per share in hopes of saving something out of the wreck. The old advice of sending good money after bad is the heritage of every Rock Island stockholder.

There are thousands of these stockholders scattered around the United States and there are hundreds more of them over in Holland, where buying Rock Island has been as mad a mania as that historic speculation in tulips which made Dutch burghers millionaires and paupers over night.

SHRINKAGE OF \$105,000,000 IN
TEN YEARS.

At to-day's prices there has been a shrinkage of \$105,000,000 within ten years in the market prices of securities that represent the stock of the original railway company. It was this original stock of the well managed and profitable company that was seized upon by market manipulators and made the piggy for the biggest stock watering scheme that Wall street has witnessed.

The water was piped in through an ingenious plan of exchanging a large amount of bonds and stock in bubble companies for a smaller amount of common stock in a perfectly sound operating railway company. In horse trading it would be equivalent to throwing in a wagon

and harness to make a spavined nag equal to a trotter.

A little more than ten years ago—in 1902 to be exact—there existed the good, old Chicago, Rock Island & Pacific Railway Company. This particular notice that was titled "railway company" because the juggle that ensued a neat paining act of substituting "railroad company" for "railway company" was worked and it made vast corporate difference.

This original railway company had \$75,000,000 of outstanding stock on which it was paying good dividends, such as five and six per cent. It also had, and still has, a lot of bond—perfectly good first mortgage securities on which it paid the interest regularly and will continue to do so. These underlying bonds do not figure in the present bubble bursting and will continue sound and good, but it is necessary to note another fine distinction between "mortgage bonds" and "collateral trust bonds."

Herein lies a juggle of words similar to the play between "railway" and "railroad" companies. This manipulators devised the idea of issuing securities called collateral trust bonds, but that is mere fiction of etymology, because bonds mean the mortgage of some tangible security and these so-called "collateral trust bonds" mortgages no property and represent no real value save prospective profits. They were called bonds because that sounds better and also to avoid confusion between the many kinds of stock.

Flushed with profits in tin plate and steel trust and match combines, four Chicago multi-millionaires inaugurated the Rock Island bubble in 1902. These men were Daniel G. Reid and his now deceased partner in tin plate, William B. Leeds, ex-Judge William H. Moore and his brother James H. Moore. They put up a large sum of real money, just how much has not been disclosed, wherewith to buy a controlling block of the \$75,000,000 of original Rock Island Railway stock.

HOW THE INTERESTING GAME
WAS WORKED.

Having secured this, they proceeded to create the amazing structure of new companies and new securities that has now collapsed with such enormous losses to thousands of people who paid good money for the watered securities. This was the way the game was worked:

First step—Purchase of a large block of the \$75,000,000 stock of the Chicago, Rock Island and Pacific Railway Company.

Second step—Organization of the Chicago, Rock Island and Pacific Railroad Company of Iowa. Note the only difference in name is to insert railroad for railway. The only function of this railroad company was to issue \$75,000,000 of collateral trust bonds, which were not bonds at all, but were to be exchanged and substituted for the original railway company's stock.

Third step—Organization of the Rock Island Company of New Jersey as the holding company, or bagman at the head of the whole structure. This Jersey company issued \$150,000,000 of preferred and common stock, which was pure water because it did not represent the ownership or operation of a mile of railway.

Its value lay in two rights. Voting power for the entire Rock Island bubble was lodged in its fifty millions of preferred stock, so that control of \$75,000,000 of that kind of security dominated the enormous system of railway transportation with hundreds of millions of legitimate and illegitimate stocks and bonds outstanding. There also was lodged in this Jersey holding company wonderful possibilities of stock market speculation, and for ten years this function was exercised to the limit.

When this corporation juggling scheme was completed the original \$75,000,000 of Rock Island Railway stock had been expanded into \$75,000,000 of collateral trust bonds and \$150,000,000 of stock, which made an inflation of three to one. It resulted in a stock juggling solution composed of three parts water to one part solid.

TEMPERING OFFERS MADE BY
THE BUBBLE BLOWERS.

The bubble blowers sought to reimburse themselves with enormous profits for the good money they had put up to buy control of the original stock, and also to bait well the other old stockholders to join in the trading scheme. So with the newly organized Iowa and Jersey companies completely in hand and \$225,000,000 of freshly printed certificates just off the press, they turned the trick with a tempting offer.

For each \$100 share of the old Chicago, Rock Island and Pacific Railway Company turned in for exchange new securities as follows:

One hundred dollars in collateral trust 4 per cent. bonds of the Chicago, Rock Island and Pacific Railroad Company.

Seventy dollars in preferred stock of the Rock Island Company of New Jersey.

One hundred dollars in common stock of the Rock Island Company of New Jersey.

Total par value of securities offered in exchange, \$270.

The public could not stomach quite so much water all at once, so when the new securities were listed on the Stock Exchange prices were shaved down below par. But they floated away on the sea of watered stock at a combined price for the three of \$197. That meant that any person holding one of the original Rock Island

and shares could cash in his trade for \$197.

It has not been revealed what the Chicago quartet of manipulators paid for the original stock they bought, but it was supposed to be somewhere between \$125 and \$150 per share, so that the margin of profit was large. They held tightly on to the preferred stock because its voting power gave them control over the whole bubble. They unloaded the collateral trust bonds and much of the common stock.

HOW THE INFLATED STRUCTURE
WAS MAINTAINED.

It was the dividends of the underlying company that sustained the inflated structure. They paid the interest on the collateral trust bonds and left something over to sweeten the taste of the inflated stock. A few dollars of dividends were passed out to the holders of the new preferred stock of the Rock Island Company of New Jersey, but the common stockholders never got more than fleeting hopes of a return on their money.

The lean days of the past six months for all railroads have left the Rock Island hard up. It is no longer earning sufficient profit over operating costs and dividends on the underlying bonds to pay anything to the bubble holders. The company has said that no interest will be paid on the collateral trust bonds. That blew the airy structure into nothingness. The fictitious companies of Iowa and New Jersey have vanished in thin air.

An extraordinary condition remains. The underlying structure is sound and the property, the Chicago, Rock Island and Pacific Railway Company, the original entity that it existed ten years ago, goes right on. Only the fictitious superstructure of inflated securities called collateral trust bonds, \$225,000,000 of watered stocks and misnamed bonds, are gone by the board. The problem is to get back to the simple corporate existence of 1902 and how to pump out the water that has been poured into a gullible public. There will be no receivership of the original Rock Island Railway, but an end has come to the Rock Island Company of New Jersey, that was a holding company pure and simple, and the Chicago, Rock Island and Pacific Railroad Company of Iowa, that was nothing more than a trading stamp concern.

The Dutchmen of Holland who hold worthless stock, the Englishmen who bought so-called collateral trust bonds, the thousands of American investors who have been stung are trying to get back to the old basis without losing any money. They are contesting the validity of the securities and are forming a committee, with James N. Wallace of the Central Trust Company as chairman. They have the best of the situation, because the original railway stock was deposited as security for their bonds. In case of an unscrupulous they get first claim on the original stock.

The holders of watered stock in the bubble companies have formed a protective committee of their own, with William A. Reed, banker, as chairman. Each is trying to save himself and think for itself out of the wreck. Where they stand, who are the victims and what they can do are problems that lawyers are struggling over with complete perplexity.

Daniel G. Reid continues as chairman of the board of the Rock Island Company, which is the top of the pinnacle, but active control of railway operations has been under the indirect control of the rich copper firm of Phelps, Dodge & Co.

MINISTERS IN FIST FIGHT.

Collision in Anteroom Follows Debate on Socialism.

HARTFORD, Conn., March 3.—After a debate on socialism in Unity Hall last night, Rev. Dr. John Wesley Hill and Rev. J. C. Hogan of Monroe, N. Y., engaged in a heated argument in an anteroom, during which Mr. Hogan claims Mr. Hill struck him with his fist. Friends separated the two and the police were called. No arrests were made.

During the debate Rev. Dr. Hogan produced what he purported to be copies of court records of a case in which Hill figured. The arguments in the anteroom started, it is said, when Dr. Hill tried to secure possession of the documents to prevent publication.

POLICE TO SHOOT DUMMIES.

Revolvers Expert Will Teach New York Men How to Handle Weapons.

Police Commissioner McKay announced this afternoon that Alfred F. Lane, champion revolver shot of the world, would hereafter instruct patrolmen at Police Headquarters in the handling of revolvers. Lane will instruct the men in the shooting gallery at Headquarters every Monday, Wednesday and Friday from 11 to 12 o'clock.

Instead of bulletproof there will be introduced into the instruction dummies of human beings, horses, cats and dogs.

The services of Mr. Lane will be gratuitous. He won his title as expert revolver shot of the world at the Olympic Games at Stockholm last year. He is at present connected with a rifle manufacturing concern.

LIEUT. FULTON RETIRED.

Friend Who Made Charges Against Him Intends to Leave Church.

Police Lieutenant Edward J. Fulton, who was exonerated recently of charges brought last December by Father Egan of St. Clement's Church, Marine's Harbor, N. I., connecting Fulton's name with that of young girls of the priest's parish, was retired on his own application at midnight last night after thirty-two years on the police force. When his brother Andrew, a court clerk, he will leave Saturday for a vacation in Florida.

Father Egan announced his resignation when his charges were dismissed by the Grand Jury and he announced last Sunday, despite the efforts of parishioners to keep him, that he would leave the church this week.

Housekeeper Found Dead.

Margaret Manney, fifty years old, a housekeeper for Alexander Niblock, No. 270 East One Hundred and Seventy-seventh street, was found dead in bed to-day with gas slowly escaping from a heater in her room. Mrs. Manney was a widow and suffered from a weak heart. It is believed that she failed to completely shut off the gas when re-

HERE'S JOE TINKER'S CHICAGO 'FED' TEAM, HAS NINE PITCHERS

Arthur Wilson Among Catchers, and Killifer Is Claimed Too.

CHICAGO, March 3.—The line-up of the Chicago Federals was announced to-day by Manager Tinker. It was the first of the teams to be announced completely. Tinker declared himself satisfied that the team will be a permanent contender and said its speed will make up for other deficiencies.

The line-up, with the name of the team, with which each man played last year, follows:

Pitchers—Ad Brennan, Philadelphia Nationals; Claude Hendrix, Pittsburgh; Tom McGuire, Chicago Federals; Irwin Lang, local semi-professional; C. J. Watson, Milwaukee; Henry Schmidt, Milwaukee; John Glazer, Chicago semi-professional; Dave Black, Chicago semi-professional, and Leo Prendergast, Peoria.

Catchers—Arthur Wilson, New York Nationals; Jim Block, Milwaukee; Phil Killifer, Philadelphia Nationals; Jim McDonough, Chicago Federals, and George Mulvaney, Cincinnati semi-professional.

First Basemen—W. R. Jackson, Spokane; John Kading, Chicago Federals; Fred Beck, Buffalo; Bill Zwilling, St. Joseph.

Second Basemen—John Farrell, Chicago Federals; John Granan, Lake Forest University; Leo Kavanagh, Chicago semi-professional.

Third Basemen—Rollie Zeider, New York Americans; James Stanley, Chicago Federals.

Shortstop—Joe Tinker, Cincinnati; Outfielders—Al Wickland, Cincinnati; Cad Cole, Baltimore and Elmira; John Muncie, University of Minnesota, and Max Flack, Peoria.

Bill Brennan was appointed chief of the Federals' umpire staff by President Gilmore to-day. The umpires are expected here to-morrow for a conference with the president.

\$1,000,000 DAMAGE IN ALBANY

City Again Getting Into Shape After Storm's Sweep.

ALBANY, March 3.—Conditions approaching normal following Sunday's storm were expected to obtain here before to-day had passed. Although hundreds of broken telegraph, telephone and electric lighting wires were still down, it was thought by night repair men would have done much toward restoring service. The fire alarm system in Albany was still out of commission. It was said by New York Central Railroad officials that soon that train were arriving and leaving nearly on time.

The property damage, including revenue loss to public utilities corporations in Albany and vicinity was declared to-day to be nearly \$1,000,000.

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News Oddities

ICELAND is to have its first railroad.

GROUND HOG'S SHADOW was vindicated.

OSSINING has the highest birth rate of any town in the State.

SPRING will be here in three weeks, and March surely ought to go out like a lamb.

THREE COMMUTERS from Westchester checked their snow shoes in Grand Central terminal.

MOVIE THEATRES in Pittsburgh must be divided into three separate compartments for men, women and children.

INTERIOR OF THE EARTH is rigid, scientists find, but the surface in this locality won't be when a thaw sets in.

"REVERSION TO MONKEYISM" is what Dr. G. Campbell Morgan, noted London preacher, calls the tango and other new dances.

MODERN BURGLAR is abstemious. One in Clifton, N. J., passed up wines of rare vintage in a victim's house, but drank two bottles of milk.

NO, YOU WERE ALL RIGHT; CHILD BURIED AT SEA AS BIG WAVE HITS LINER.

City Hall Clock Really Did Seem Locoed, but It Was Being Fixed.

The hands of City Hall clock shook off their manacles of ice shortly before 9 o'clock this morning, waved wildly at the throngs hurrying workward, and then acted generally foolish.

When the storm slapped the several faces of the clock Sunday they dropped their collective hands in the attitude of half-past 5, which means resignation, and remained that way. Other clocks—St. Paul's, the Tribune and the like did the same—but this is about City Hall clock.

The sun crawled up to the tower this morning and melted the ice. Like a man out of jail the minute hand raced like a mail truck around to twelve, stopped a second and completed the lap. The hour hand ambled around after in an indifferent way.

Then the hands began a hesitation, a one-step and a near enough tango, while passing stenographers forgot they had a job to go to and stopped to look.

The hands continued their merry dance while the crowd watched and wondered. Had the spirit of the tango ascended from the office of the Chief Executive into the very dome of the building? some asked.

Some one told City Hall Custodian John Rooney of this strange antics of the clock. He went out and had a look for himself and then hurriedly climbed to the cage. There he found John McCartney, official clock winder, busy at a lever working it backward and forward. The lever worked the clock hands. Hence the antics.

McCartney waited until 8 o'clock, the beginning of the official day, and then started the clock in the path of rectitude.

STEAMSHIPS DUE TO-DAY.

Celtic, Naples 8 A.M.
Caladenia, Glasgow 9 A.M.
Kronland, Antwerp 11 A.M.
Ryndam, Rotterdam 12 M.
Ancon, Orizaba 1 P.M.

DEBENTURE CORPORATION OFFICIALS ON TRIAL

Said to Have Sold \$1,200,000 Worth of Stock on Fraudulent Representations.

Seven persons were placed on trial in the United States District Court to-day for alleged frauds in connection with the sale of stock by the Sterling Debenture Corporation. The specific charge against the eight is that \$1,200,000 worth of stock in the Oxford Linen Mills and subsidiaries, the Oxford Linen Mattress Company and the Eastbrook Company was sold through fraudulent representations.

The defendants are George H. Middlebrook, Frank W. Schumaker, Harry H. Platt, Samuel E. Findl, J. E. A. Baron, W. M. Stone, B. C. Mudre and the Sterling Debenture Corporation.

Frank E. Winchell, former president of the Linen Mills, who was also indicted, entered a plea of guilty several weeks ago and may be used as a witness against the other defendants.

The Sterling Debenture Corporation sold more than \$10,000,000 worth of stock in various companies. It handled Teleport stock and various other similar affairs.

SEIZES WOMAN AS FRAUD.

Directress of Day Nursery Caught Arrest of Collector.

The alleged collecting of money for a charitable purpose which never got the benefits of contributions caused the arrest early to-day of Mary Ryan, thirty years old, of No. 313 East Thirty-third street. The arrest was caused by Henriette N. Murphy, directress of the Presentation Day Nursery at No. 230 East Thirty-second street. Mrs. Murphy told the police the prisoner had been soliciting money from "athletes for the alleged purpose of burying a poor man."

The Ryan woman was arrested at the nursery after a fight with Miss Murphy, who had trouble holding her till a policeman was summoned. Before Magistrate Murphy in the Night Court she was arraigned and held in General Sessions on a bond of \$500, in default of which she was committed.

SENTENCED FOR ABDUCTION.

Former Theatrical Man Sent to Go to Prison for Taking Girl Away.

Harold O. Prentiss, twenty-three years old, who was assistant manager of Proctor's One Hundred and Twenty-fifth Street Theatre, pleaded guilty to abduction this afternoon, and Judge Wadhams in General Sessions sent him to Elmira.

On Dec. 24 last Prentiss met seventeen-year-old Wilhelmina Van Elk, a pretty blonde, and took her to Philadelphia. The girl's parents finally located the couple and had Prentiss arrested.

Louis Hill Heads Great Northern.

ST. PAUL, Minn., March 3.—Louis W. Hill, Chairman of the Board of Directors of the Great Northern Railway, was elected President of the company at a special meeting of the board of directors held this afternoon. He will retain the title of Chairman of the Board ex-officio.



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